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Barbara Klemstine
Director
Regulation & Pricing

Tel. 602-250-4563
Fax 602-250-3003
e-mail Barbara.Klemstine@aps.com

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999

January 31, 2007

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: DECISION NO. 68645 COMPLIANCE REPORT ON RESIDENTIAL TIME-OF-USE RATES ET-2 AND
ECT-2. Docket No. E-0135A-05-0674

Dear Sir or Madame:

Pursuant to Decision No. 68645, APS is filing the 2006 annual report on the the residential time-of-use rates ET-2 and ECT-2. The Decision requires that by each January 31st from the date of the order, APS shall file with Docket Control annual reports that detail the summer and winter load shapes of the participants in the experimental rates, the number of customers taking service on these experimental rates and the amount that customers have saved relative to non-time-of-use rates.

If you have any questions please contact Greg DeLizio, Manager, Pricing, at 602-250-2704.

Sincerely,

Barbara Klemstine
Director
Regulation & Pricing

BK/dst

Attachments

CC: Brian Bozzo

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**Arizona Public Service
Residential Time-of-use Rates ET-2, ECT-2
Compliance Report, Decision No. 68645, Docket No. E-0135A-05-0674
January 31, 2007**

Background

In July 2006, APS implemented two new residential time-of-use rate schedules, ET-2 and ECT-2, which have an on-peak period of noon to 7:00 p.m. Rate schedule ET-2 has on-peak and off-peak energy charges. Rate schedule ECT-2 has an on-peak demand charge in addition to on-peak and off-peak energy charges. These rates are offered in addition to the Company's current residential time-of-use rate schedules, ET-1 and ECT-1R, which have an on-peak time period of 9:00 a.m. to 9:00 p.m.

Status

As of December 2006, 15,006 customers are participating in ET-2, while 3,037 customers are participating in ECT-2. Total participation in the new time-of-use rates is 18,043.

Load Shapes

Average daily load shapes for the winter and summer seasons were derived from recorded load research data. The summer seasonal load shapes consist of hourly load data from July through October, 2006. The winter load shape included data from November, 2006. The attached load shapes are provided for weekday and week-end day types. For comparison, the load shapes for rate schedules ET-1 and ECT-1R are also provided. As shown, the ET-2 and ECT-2 summer weekday load shapes show a modest increase in usage after 7:00 p.m., when the on-peak period expires. This impact is more pronounced for the ECT-2 rate, which has an on-peak demand charge, in addition to on-peak and off-peak energy charges. Also, please note that winter load shapes are higher than the summer load shapes due to the rapidly growing number of participants from the summer to the winter seasons; the usage per customer is still much lower in the winter compared with the summer.

Because the rates have only been in effect for seven months, there is not sufficient data at this time to assess potential changes in customers' load shape patterns due to the new time-of-use rates. However, as shown below, the percent kWh consumed during the noon to 7:00 p.m. on peak period for the summer season was 25.3% for ET-2 and 23.5% for ECT-2, based on billing data. By comparison, the summer on-peak usage for the same time period (noon to 7:00 p.m.) for rate schedule ET-1 and ECT-1R, which have a 12 hour on-peak period, is 24.7% and 24.3% respectively, based on load research data. This suggests that on average the participants in the new time-of-use rates are displaying roughly the same on-peak consumption pattern and similar shifting of energy to the off-peak period compared with the existing time-of-use rates, ET-1 and ECT-1R.

Time-of-use Rates ET-2, ECT-2, ET-1, ECT-1R

On-peak Percent usage for Noon to 7 pm

Rate	On-peak Usage – Summer	On-peak Usage – Winter
ET-2	25.3%	19.7%
ECT-2	23.5%	18.5%
ET-1	24.7%	18.6%
ECT-1R	24.3%	18.8%

1. ET-2 and ECT-2 usage based on billing data.
2. ET-1 and ECT-1R usage based on load research data for same on-peak hours as ET-2 and ECT-2.
3. Summer based on July through October 2006 data; winter based on November 2006 data.

Bill Savings

Customer bill savings compared with a non-time of use rate, E-12, was \$749,227 for ET-2, and \$445,523 for ECT-2. The combined savings for both rates was \$1,194,750 or 15.8% compared to non-TOU rate E-12. The savings are calculated off the base bill without any adjustment, taxes or other fees.

Time-of-use Rates ET-2, ECT-2

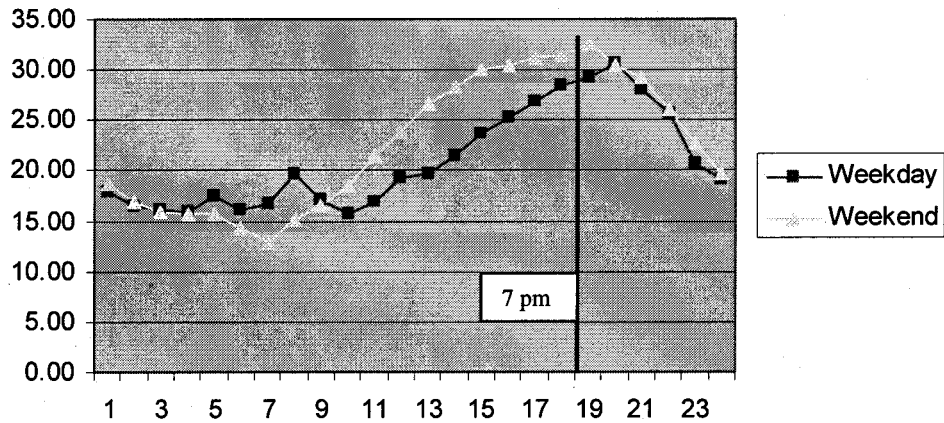
Bill Savings Compared with Non-time-of-use Rate E-12

Results for July through December 2006

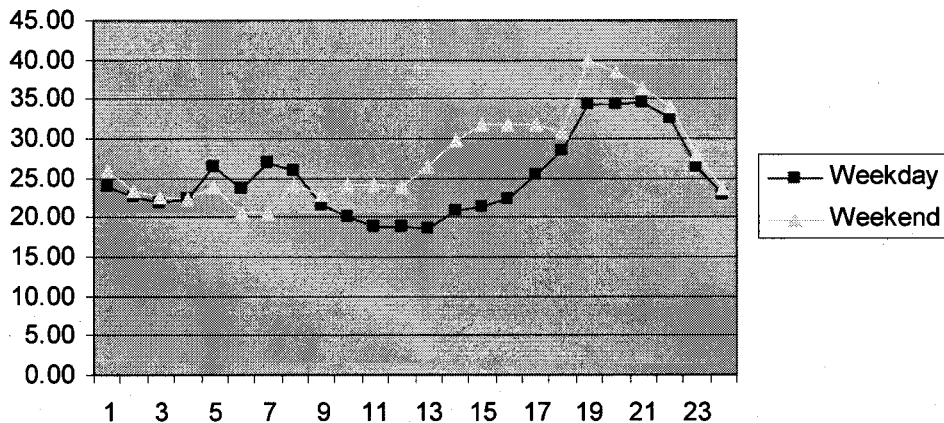
Rate	Customers	Bill Savings compared with non-TOU rate, E-12	Average % Bill Savings per customer compared with E-12
ET-2	15,006	\$ 749,227	13.3%
ECT-2	3,037	\$ 445,523	23.3%
Total	18,043	\$ 1,194,750	15.8%

1. ET-2 and ECT-2 savings derived from bill calculations based on actual usage data.

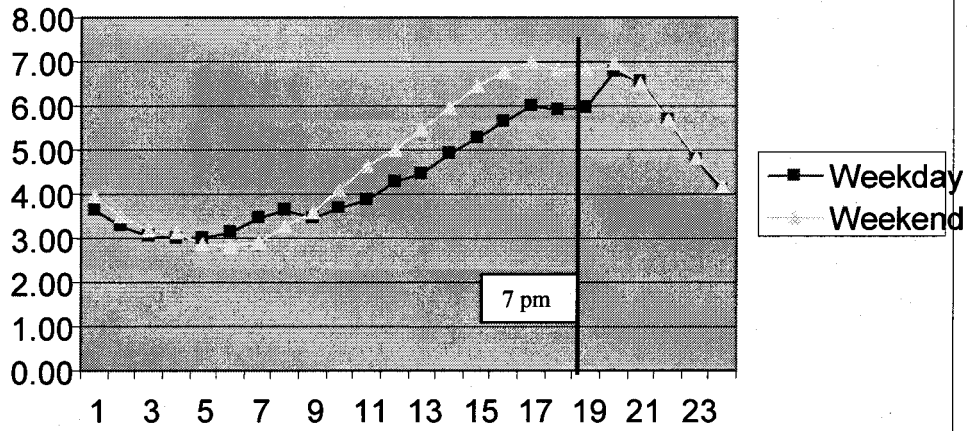
**ET-2 Hourly Load Shape (MW)
Summer Day 2006**



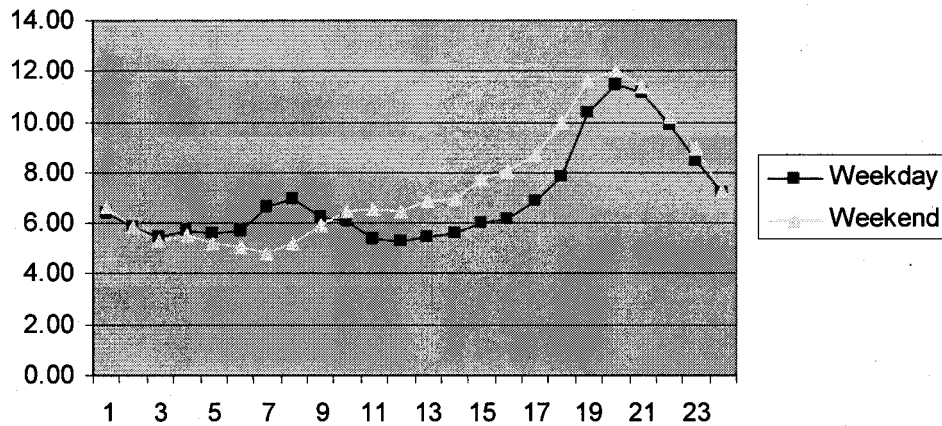
**ET-2 Hourly Load Shape (MW)
November Day 2006**



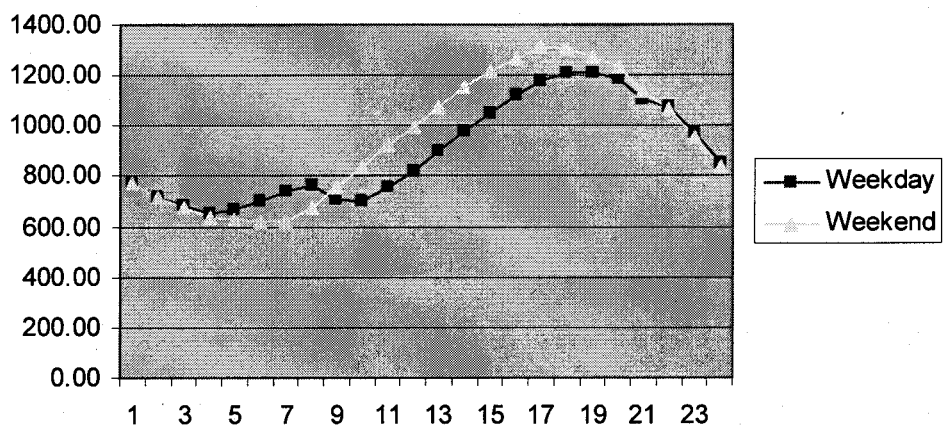
**ECT-2 Hourly Load Shape (MW)
Summer Day 2006**



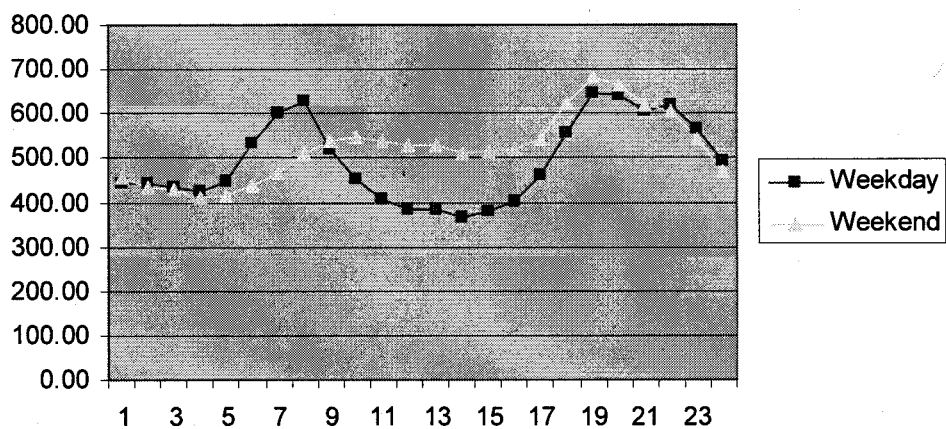
**ECT-2 Hourly Load Shape (MW)
November Day 2006**



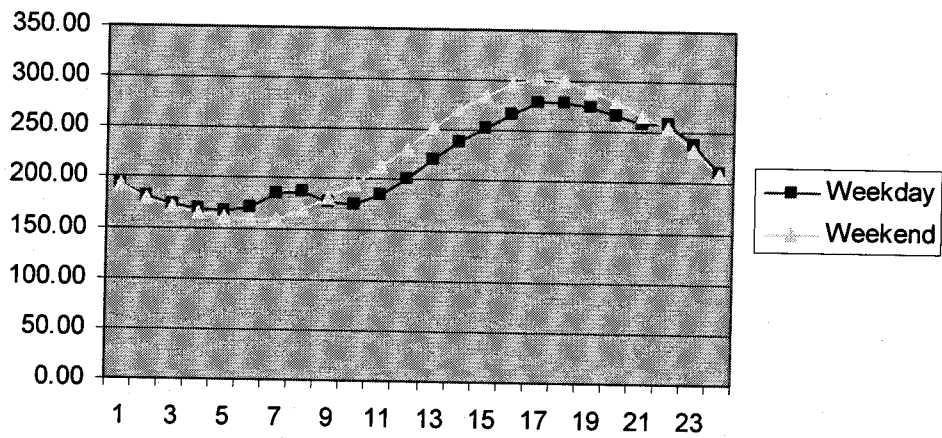
**ET-1 Hourly Load Shape (MW)
Summer Day 2006**



**ET-1 Hourly Load Shape (MW)
November Day 2006**



**ECT-1R Hourly Load Shape (MW)
Summer Day 2006**



**ECT-1R Hourly Load Shape (MW)
November Day 2006**

